

Message Text

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TAGS: PFOR, PINT, BF

SUBJECT: INTERCONTINENTAL DIVERSIFIED COMPANY AND SEC
INVESTIGATION

REF: NASSAU 1077

1. RE QUESTION RAISED IN REFTTEL CONCERNING ST. GEORGE
ASSERTION THAT CONSENT ORDER WOULD SUBJECT GCOB TO
JURISDICTION OF U.S. COURTS, DEPARTMENT HAS CONSULTED
WITH SEC CONCERNING NATURE OF ORDER.

2. GCOB WOULD NOT REPEAT NOT BE PARTY TO THE PROPOSED
CONSENT ORDER, RATHER, IT WOULD BE ENTERED INTO BY IDC
AS A CORPORATE ENTITY. BASIC EFFECT OF DECREE WOULD BE
TO COMMIT IDC TO OBEY SECURITIES LAWS IN FUTURE. COURT
WOULD HAVE CONTINUING JURISDICTION WITH RESPECT TO TWO
ASPECTS OF MATTER. FIRST, SHOULD IDC AGAIN VIOLATE
SECURITIES LAWS, IT COULD BE HELD IN CONTEMPT OF COURT
UNDER CONSENT ORDER AS WELL AS IN VIOLATION OF LAW.
SECOND, CONSENT ORDER WOULD REQUIRE IDC TO APPOINT A
SPECIAL INVESTIGATOR TO CONDUCT A THOROUGH INVESTIGATION
OF ITS PAST ACTIVITIES AND REPORT TO THE SEC ANY
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POSSIBLE VIOLATIONS THAT MAY HAVE BEEN COMMITTED. IF

INVESTIGATION WAS NOT CARRIED OUT IN GOOD FAITH, COURT
COULD FIND IDC IN CONTEMPT OF ORDER.

3. EMBASSY MAY INFORM ST. GEORGE AND OTHER APPROPRIATE
GCOB OFFICIALS THAT UNDER U.S. LAW, CORPORATION HAS
A PERSONALITY SEPARATE AND DISTINCT FROM THAT OF ITS
STOCKHOLDERS. THUS, IDC AGREEMENT TO DECREE WOULD NOT
REPEAT NOT BE CONSIDERED TO INVOLVE ANY EXERCISE OF
JURISDICTION OVER GCOB, MOREOVER, CONSENT ORDER WOULD NOT
IN ANY WAY AFFECT SOVEREIGN RIGHT OF GCOB TO EXERCISE
JURISDICTION OVER IDC, SINCE IT RELATES ONLY TO THE
REPORTING REQUIREMENTS OF THE FEDERAL SECURITIES LAWS.
IN OUR VIEW CONSENT ORDER SEEMS PREFERABLE FROM STAND-
POINT OF BOTH GOVERNMENTS TO LITIGATION AND ATTENDENT
PUBLICITY. ACCORDINGLY WE HOPE IDC WILL CONTINUE TO
WORK WITH SEC TO DEVELOP A MUTUALLY ACCEPTABLE CONSENT
ORDER. KISSINGER

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